



MAVERICK ENERGY



# INDIANA BOND BANK FUEL BUDGETING PROGRAM



# Fuel Budgeting Program

- Budgeting tool to guard against rising fuel prices (budget insurance)
- Allows smaller entities to pool their fuel budgeting needs to create an effective hedge size (42,000 gallons)
- Share program costs for cost efficiency
- Experience of IBB Staff/Professionals
- Indiana Bond Bank (IBB) Posts Collateral



# How the Fuel Budgeting Program Works

- ▶ QE (Qualified Entity) continues to purchase fuel from local provider
  - ▶ Cannot be fixed price contract
- ▶ QE completes short application
- ▶ QE adopts legal paperwork
- ▶ QE determines how much to hedge
  - ▶ Maximum of 80% annual consumption



# How the Fuel Budgeting Program Works

- ▶ Collar
  - ▶ Floor and Ceiling
  - ▶ NYMEX (New York Mercantile Exchange) fuel pricing
- ▶ Administrative Fee
  - ▶ 2016 program fee
    - ▶ Less than 3.5 cents per gallon.
    - ▶ Entities will be notified of the fee in early December (IBB goal: reduce monthly fee again)



# 2015 Fuel Budgeting Program

- ▶ 8 Participants
  - ▶ 5 School Corporations
  - ▶ 3 Cities
  
- ▶ Gasoline (RBOB) Collar \$1.5605 - \$2.0752
- ▶ Diesel (HO) Collar \$1.7901 - \$2.3180



# Example of Monthly Settlement

**INDIANA BOND BANK**  
**Fuel Budgeting Program**  
**Example--Gasoline (RBOB)**

Assumed Floor (1):	\$2.52	\$2.52	\$2.52
Assumed Cap (2):	\$3.00	\$3.00	\$3.00
Assumed NYMEX Price/gal	\$2.49	\$2.80	\$3.18

	<i>Example 1</i>	<i>Example 2</i>	<i>Example 3</i>
	<i>Price As Compared to Hedge</i>		
	<i>Lower</i>	<i>Within</i>	<i>Higher</i>
Monthly Consumption--gallons (As in entity application)	3,000	3,000	3,000
Percentage Hedged (Determined by entity; max 80%)	65.00%	65.00%	65.00%
Monthly Hedge--Gallons	1,950	1,950	1,950
NYMEX Daily Average Price	\$2.49	\$2.80	\$3.18
NYMEX vs. Floor/Cap	(\$0.03)	\$ -	\$0.18
Monthly Hedge--Gallons	1,950	1,950	1,950
Distribution (Payment)	\$ (58.50)	-	\$ 351.00
Monthly Admin Fee (3) (Assumed \$.037/gallon hedged)	\$ (72.00)	\$ (72.00)	\$ (72.00)
Total Participant Cash Flow	\$ (130.50)	\$ (72.00)	\$ 279.00



# Questions

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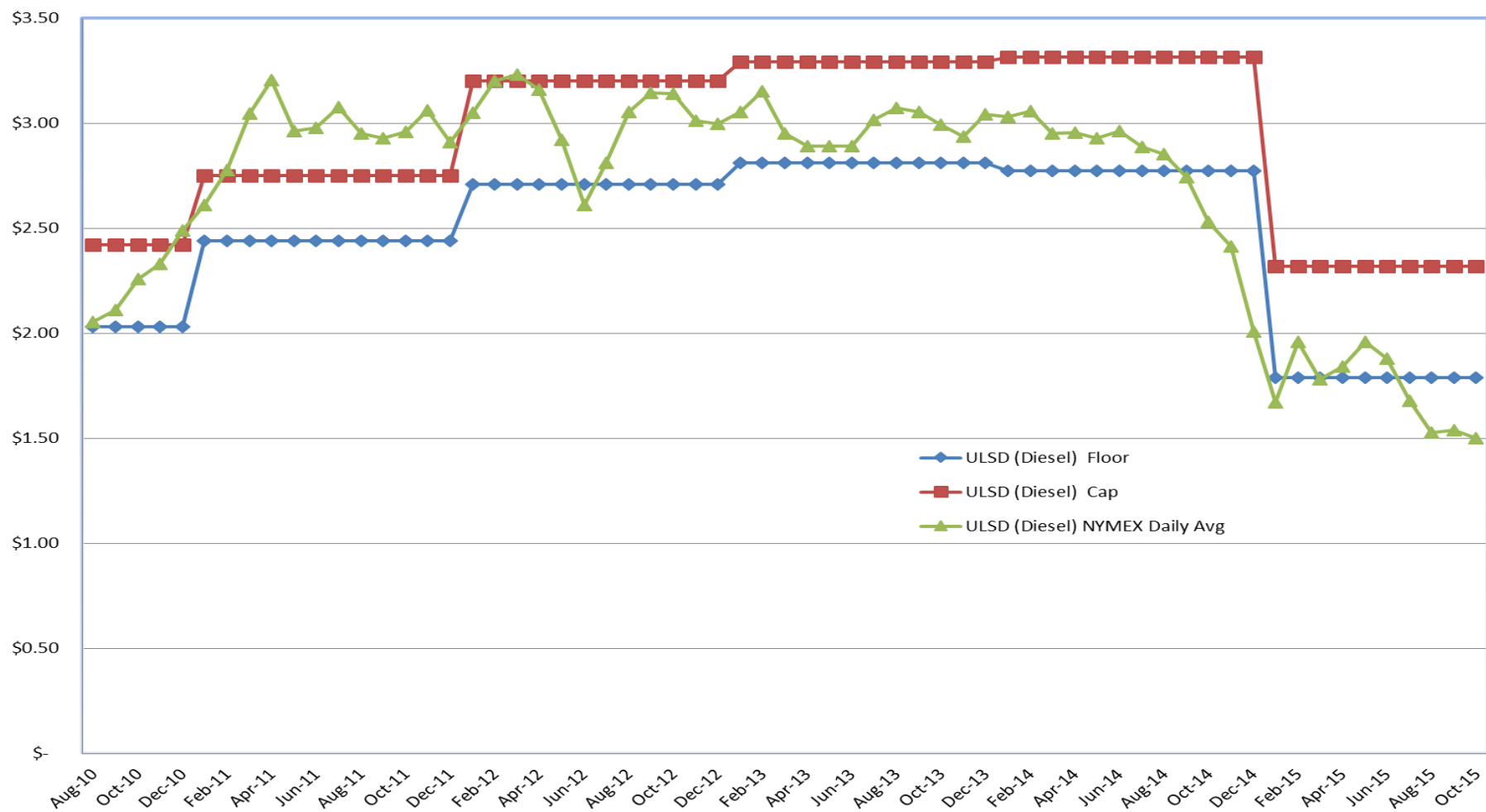
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# Diesel (H0) Graph







# Gasoline (RBOB) Graph

